

USPS LEADERSHIP FORUM FOR STAKEHOLDERS

OPERATIONS UPDATE

Megan J. Brennan
Chief Operating Officer

AGENDA

- ❑ OPERATIONS COST CONTAINMENT INITIATIVES**
- ❑ SERVICE PERFORMANCE TRENDS**
- ❑ MAIL TRANSPORT EQUIPMENT (MTE)**

CLOSING THE GAP

2016 SAVINGS

□ LEGISLATIVE INITIATIVES

\$9.2B

□ OPERATIONAL INITIATIVES

\$8.0

- **TRANSFORMING INFRASTRUCTURE**
- **CONTINUOUS IMPROVEMENT**

□ WORKFORCE

\$2.0B

- **REDUCE THE UNIT COST OF LABOR**
- **INCREASED FLEXIBILITY**

TRANSFORMING INFRASTRUCTURE NETWORK RATIONALIZATION

☐ Phase 1 Consolidation

- Summer 2012: Completed 46 consolidations
- Phase 1: Resumed January 2013
 - 100 consolidations in original plan
 - 55 sites accelerated from 2014
 - Additional sites potentially accelerated

☐ Phase 2 Consolidation

- 2014: Phase 2: Begins February 2014

Progress to Date of FY13 Mail Moves Calendar

Area	Completed to date	May 6+	June	July	August	September	TBD	Total
Capital Metro	20	0	3	3	6	0	0	32
Eastern	68	0	20	40	0	7	0	135
Great Lakes	46	1	11	2	12	0	0	72
Northeast	20	1	6	0	0	17	2	46
Pacific	2	4	7	5	0	0	0	18
Southern	107	13	17	1	0	0	0	138
Western	91	0	49	43	4	16	0	203
National Total	354	19	113	94	22	40	2	644

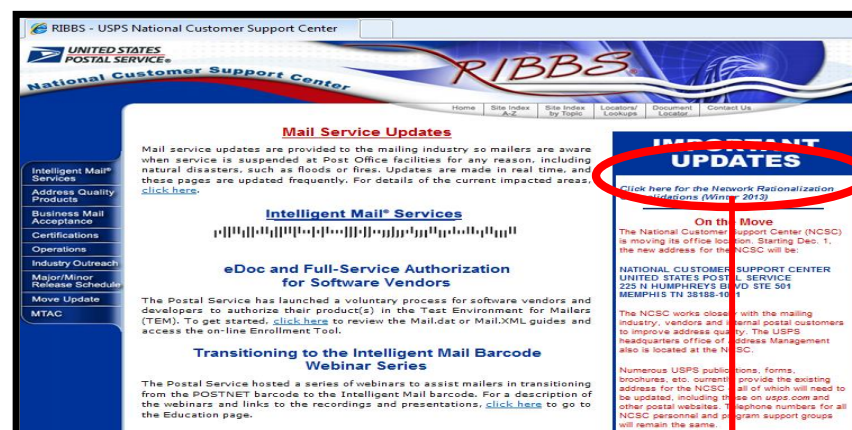
55% of Mail Moves Completed as of May 6th

Number of individual moves per Mail Move Plan as of May 3, 2013

Mail Move Plan is updated and posted weekly on RIBBS
<https://ribbs.usps.gov>

RIBBS

- Enables mailers to plan consolidation implementation progress



Mail Move Plan File

- File provides targeted mail move information, type, and date

AREA	De-Activation Plant	Mail							Activation Plant
		Originating			Destinating			DPS	
		O-Letter	O-Flat	O-Package	D-Letter	D-Flat	D-Package		
SA	Jonesboro CSMP	1/22/13	1/22/13	1/22/13	1/22/13	2/16/13	2/16/13	1/22/13	Little Rock P&DC
SA	Jonesboro CSMP	2/16/13	2/16/13	2/16/13	2/16/13	2/16/13	2/16/13	2/16/13	Memphis P&DC
WE	Tucson P&DC	2/25/13	2/25/13	N/A	N/A	N/A	N/A	N/A	Phoenix P&DC
PA	Long Beach P&DC	N/A	N/A	N/A	7/1/13	7/1/13	7/1/13	7/1/13	Los Angeles P&DC
PA	Stockton P&DC	N/A	N/A	N/A	5/11/12	3/9/13	3/9/13	5/11/12	West Sacramento P&DC
SA	Gainesville P&DF	2/23/13	2/23/13	2/23/13	N/A	N/A	2/23/13	N/A	Jacksonville P&DC
SA	Panama City P&DF	N/A	N/A	N/A	1/26/13	1/26/13	1/26/13	1/26/13	Pensacola P&DC
SA	South Florida P&DC	N/A	N/A	N/A	2/23/13	N/A	N/A	2/23/13	Miami P&DC
CM	Acworth GA CSMP	N/A	N/A	N/A	N/A	N/A	N/A	6/7/13	Atlanta P&DC
SA	Albany GA CSMP	2/23/13	2/23/13	2/23/13	2/23/13	2/23/13	2/23/13	2/23/13	Tallahassee P&DF
CM	Athens GA P&DF	N/A	N/A	N/A	2/8/13	N/A	N/A	N/A	North Metro P&DC
CM	Atlanta GA P&DC	4/19/13	4/19/13	N/A	N/A	N/A	N/A	N/A	North Metro P&DC
CM	Cartersville GA CSMP	N/A	N/A	N/A	N/A	N/A	N/A	2/22/13	Atlanta P&DC
SA	Columbus GA CSMP	N/A	N/A	N/A	2/23/13	2/23/13	2/23/13	2/23/13	Macon P&DC
CM	Douglasville GA CSMP	N/A	N/A	N/A	N/A	N/A	N/A	1/23/13	Atlanta P&DC
CM	Marietta GA DDC	N/A	N/A	N/A	N/A	N/A	N/A	3/22/13	North Metro P&DC
SA	Savannah P&DF	2/2/13	2/2/13	2/2/13	2/4/13	2/4/13	2/4/13	2/4/13	Charleston P&DF
SA	Savannah P&DF	2/2/13	2/2/13	2/2/13	2/2/13	2/2/13	2/2/13	2/2/13	Macon P&DC
SA	Savannah P&DF	2/2/13	2/2/13	2/2/13	2/2/13	2/2/13	2/2/13	2/2/13	Jacksonville P&DF
GL	Bloomington IL P&DF	N/A	N/A	N/A	2/23/13	2/23/13	2/23/13	2/23/13	Champaign P&DF
GL	Rockford P&DF	N/A	N/A	N/A	1/23/13	1/7/13	1/7/13	1/23/13	Palatine P&DC
GL	Gary P&DC	3/30/13	3/30/13	N/A	N/A	N/A	N/A	N/A	So Suburban P&DC

Industry Engagement is Imperative

□ Industry Communication

- Completed to Date:
 - **4 National** Webinars on Network Rationalization
 - **3 National** Webinars on How to Report Customer Issues Related to Network Rationalization (eSERVICE & Early Warning)
 - Areas/Districts Have Conducted over 100 Sessions on Reporting Customer Issues
- USPS Remains Committed to Continued Information Sharing
 - Quarterly Area Focus Groups
- Mailers Continue Planning Based on Mail Move Plan Schedule

ACCESS OPTIMIZATION

REDUCING THE COST TO SERVE

1**IMPROVE EXPERIENCE IN HIGH TRAFFIC OUTLETS**

- *Invest in ~2,500 USPS high-traffic outlets to improve the customer experience, substantially lower cost and protect revenue against competition resulting in significant migration of volumes to self service, supported by training, staff assistance and customer communication*

2**SIGNIFICANTLY EXPAND RETAIL PARTNERSHIPS**

- *Migrate majority of volume from USPS standard outlets to ~10-15K partner outlets with select new national and regional partners (as well as existing partners) offering low cost to serve formats*

3**MATCH COSTS TO VOLUME IN LOW TRAFFIC OUTLETS**

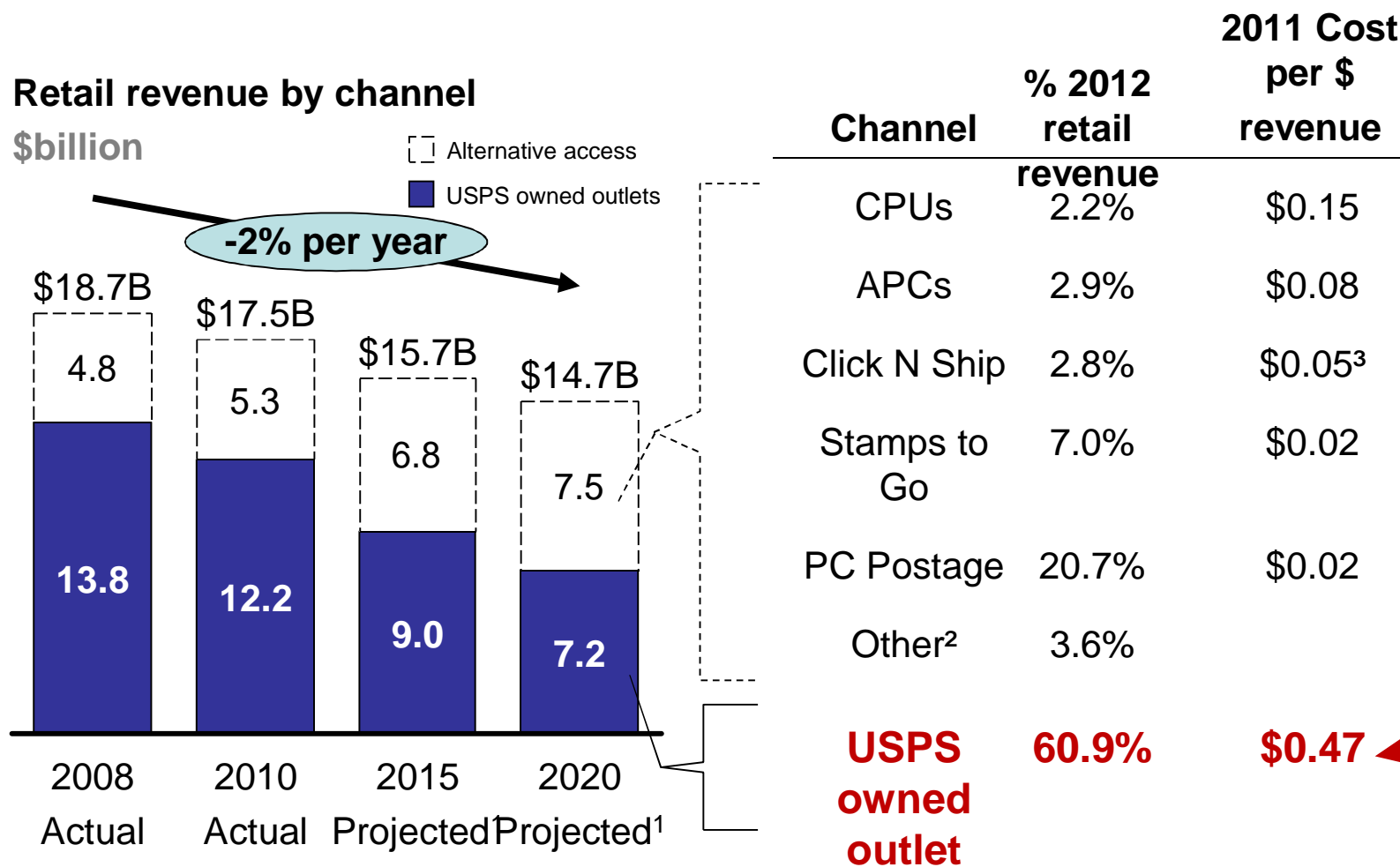
- *Fulfill USO cost effectively in small rural outlets through POSt Plan, continue expanding VPOs where national retail partners are not available, and continue to conduct PO studies where appropriate*

4**GROW DIGITAL ACCESS**

- *Drive consumer and small business volumes to usps.com, third party web partners and on the mobile platform while improving the overall customer digital experience*

Customer Migration & Channel Costs

As customers migrate to lower-cost channels, cost to serve at USPS outlets will continue to increase





- ➔ Modified window hours
- ➔ Maintain ZIP Code
- ➔ Lobby and P.O. Box access
- ➔ Retain community identity

☐ Community Meetings to Date

- 3,606,541 Surveys Mailed Out
- 7,704 Community Meetings Held thru May 13,

☐ Implementations to Date

- 6,520 Implementations Completed Through May 4, 2013
- An Additional 756 are Scheduled Through July 27, 2013

☐ Target Conversions EOY FY 2013 – 7,924

DELIVERY OPTIMIZATION

DELIVERY OPTIMIZATION

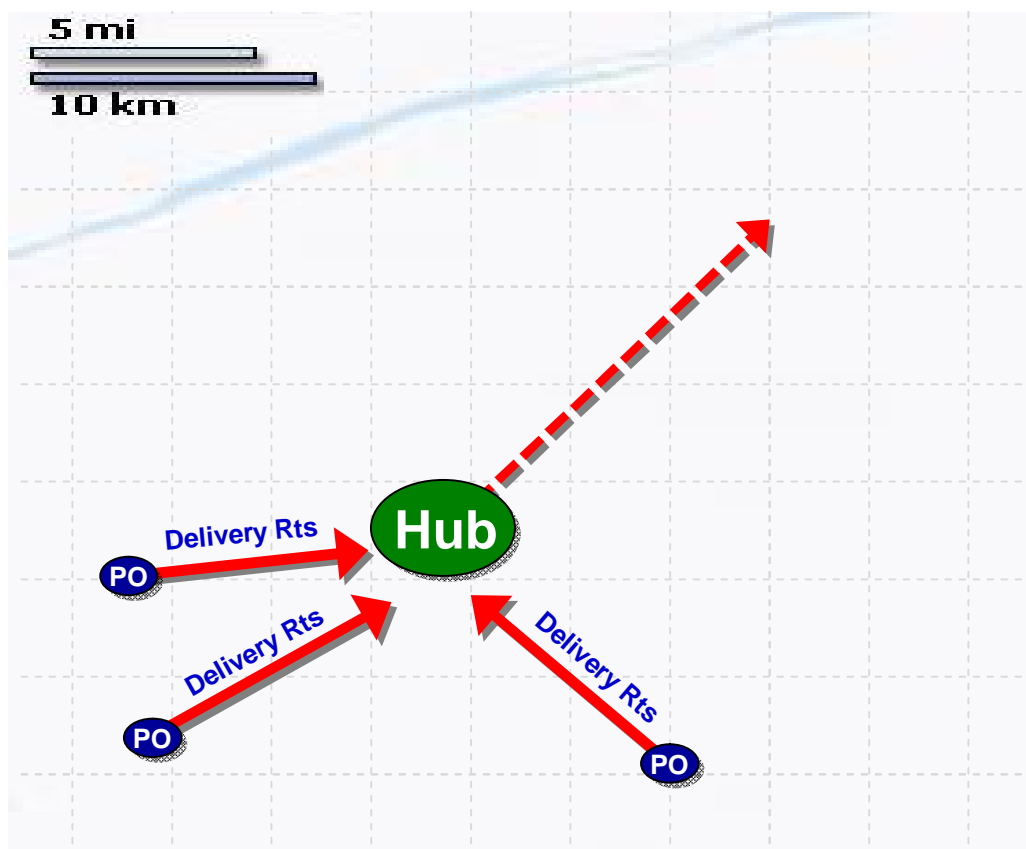
TRANSFORMING INFRASTRUCTURE



- ❑ **Units**
 - Delivery Unit Consolidations
- ❑ **Routes**
 - City Route Reductions
- ❑ **Deliveries**
 - Efficient Mode of Delivery

DELIVERY UNIT OPTIMIZATION

CONSOLIDATE DELIVERY OPERATIONS



2,300 DELIVERY UNIT CONSOLIDATIONS

BENEFITS

Economies of Scale

- Clerical Resources
- Replacement Carriers
- Vehicle Utilization




Reduced Transportation

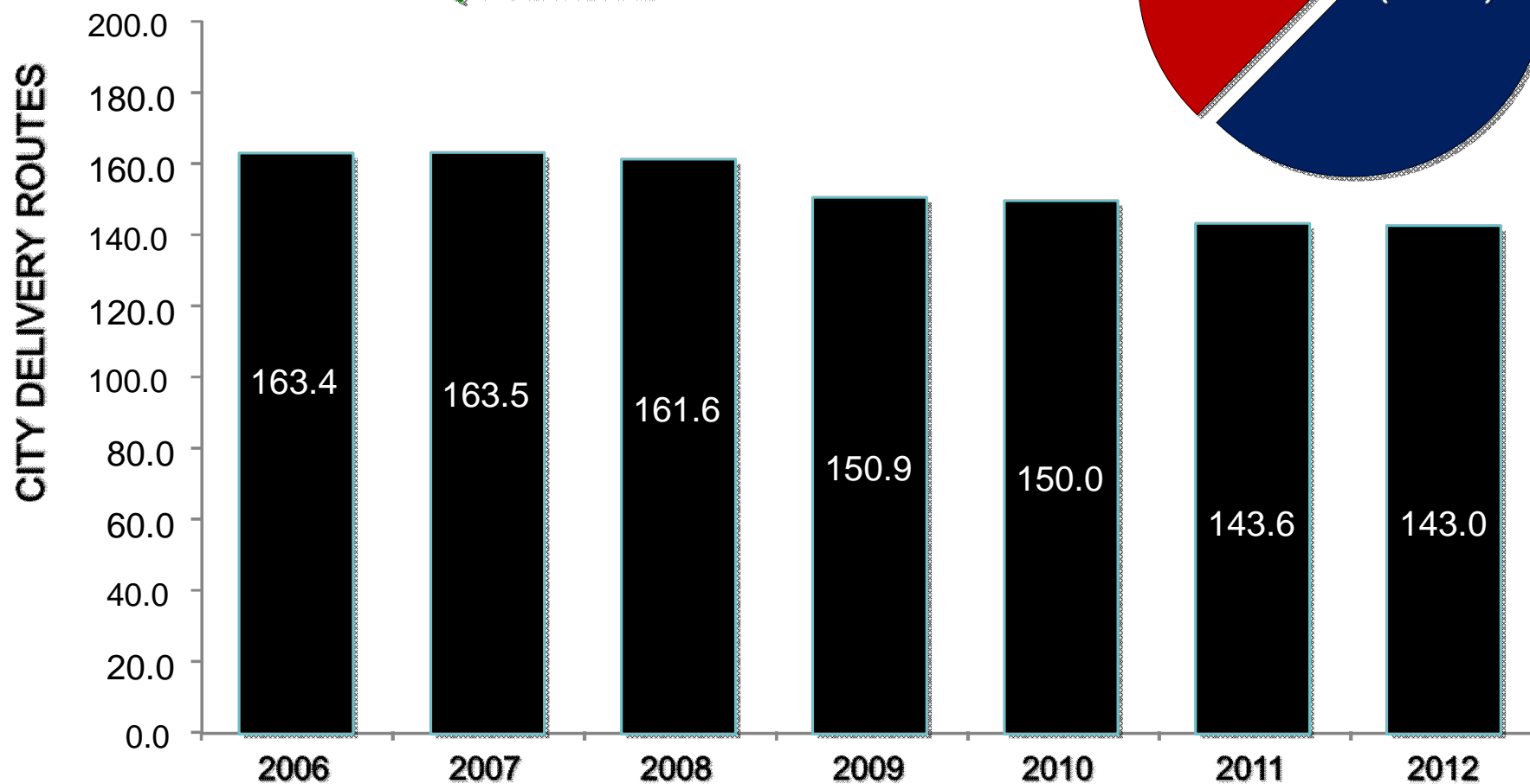
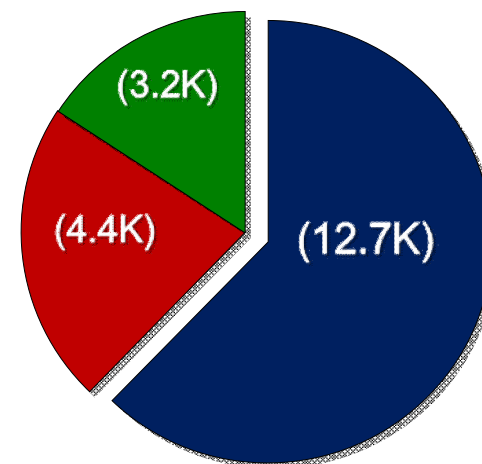
Reduced Facility Costs

- Lease Costs
- Custodial Costs

City Delivery Route Reductions

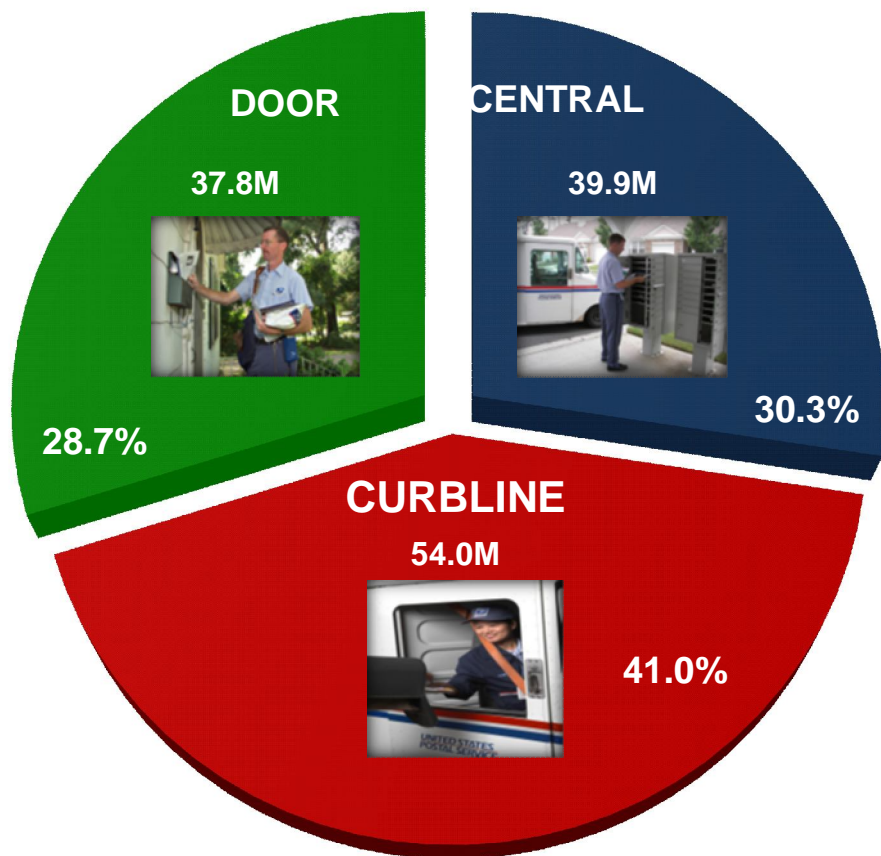
20.4K ROUTES REDUCED SINCE 2006

-  JOINT PROCESS
-  FSS
-  TRADITIONAL



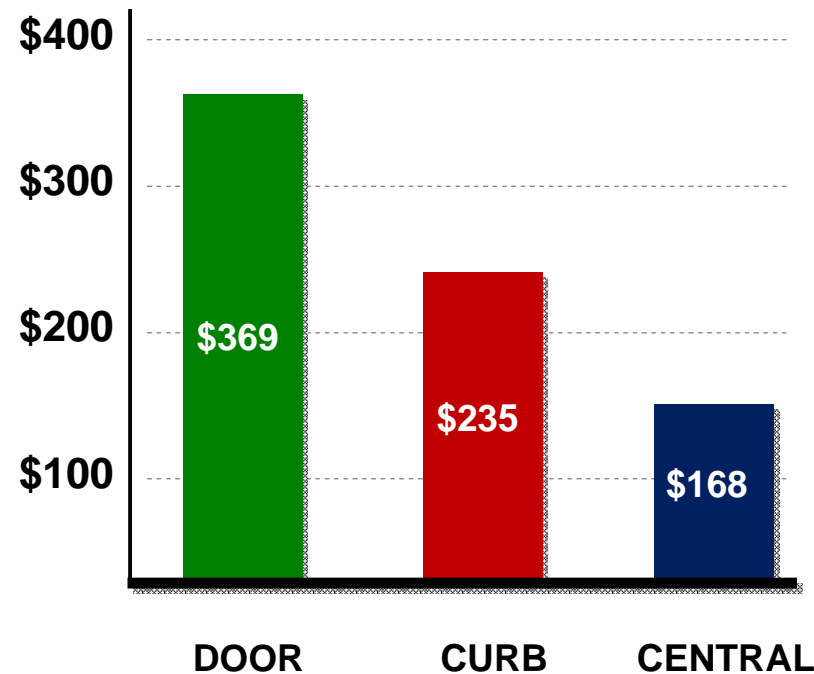
City Delivery Mode Conversions

USPS CURRENT DELIVERY MODES



TOTAL STREET DELIVERIES – 131.7M

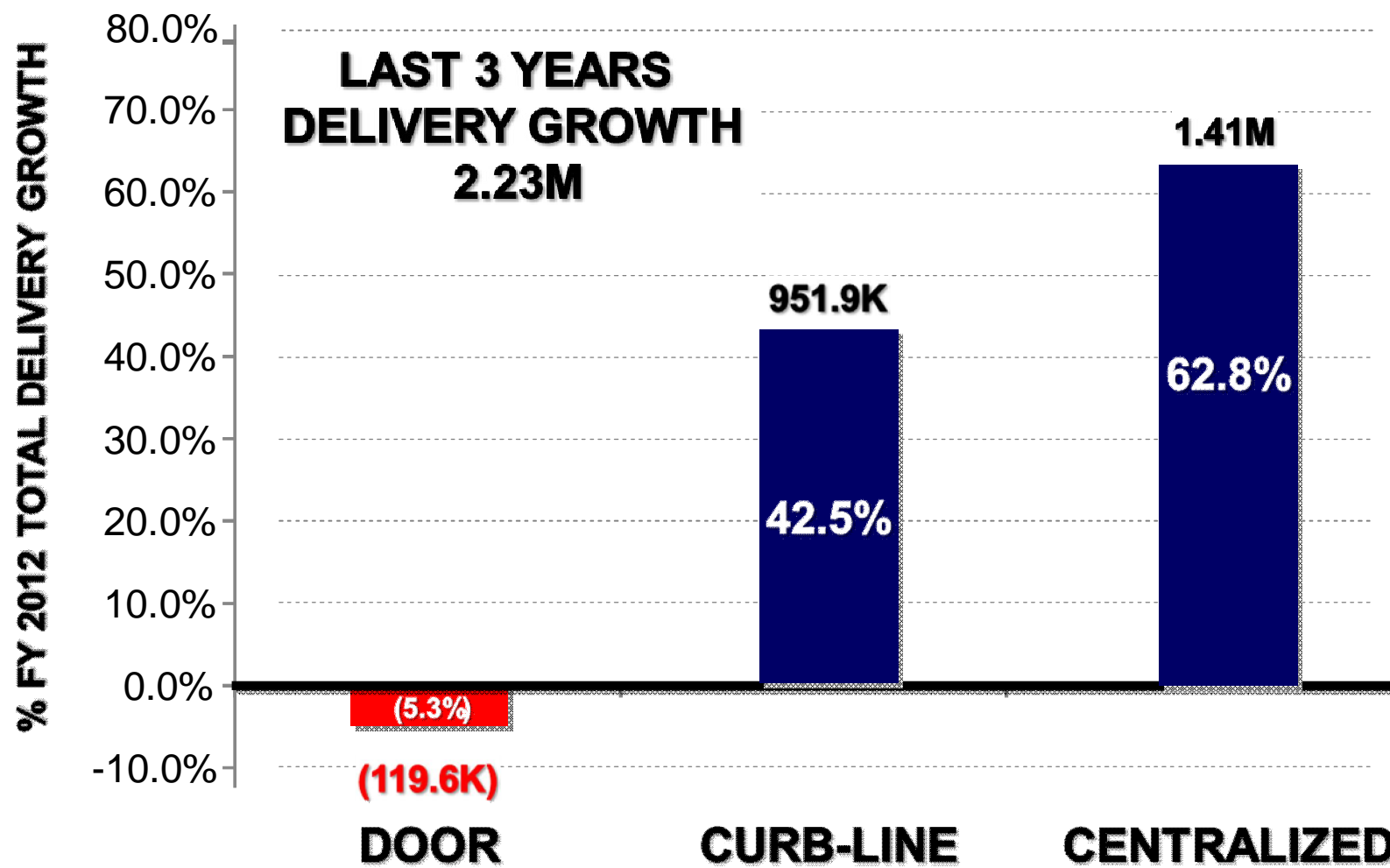
ANNUAL COST PER DELIVERY



AVERAGE COST PER DELIVERY – \$253

City Delivery Mode Conversions

Current Policy/Strategies are Driving Migration to More Efficient Delivery Mode



FACILITIES MANAGEMENT & DISPOSAL

OBJECTIVE

□ **Generate Revenue and Reduce Expenses by:**

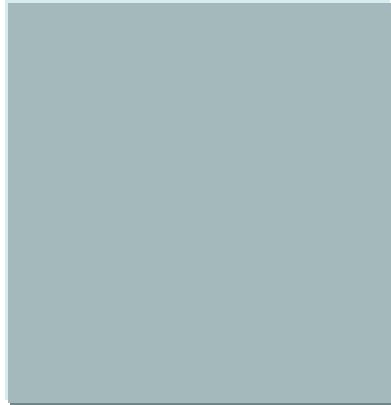
- Selling owned buildings
- Terminating leases
- Eliminating operating costs

□ **FY 2012 Results**

- Reduced 3.3M sq. ft. of Facility Space
- Generated \$228M in Additional Revenue

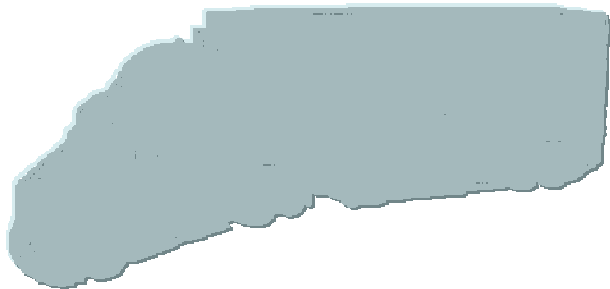


Advantages of a Transformed Infrastructure



Fewer Facilities

- Denser Bundles/Trays and Pallets
- Increased Equipment Utilization
- Increased Productivities



Maximized Transportation

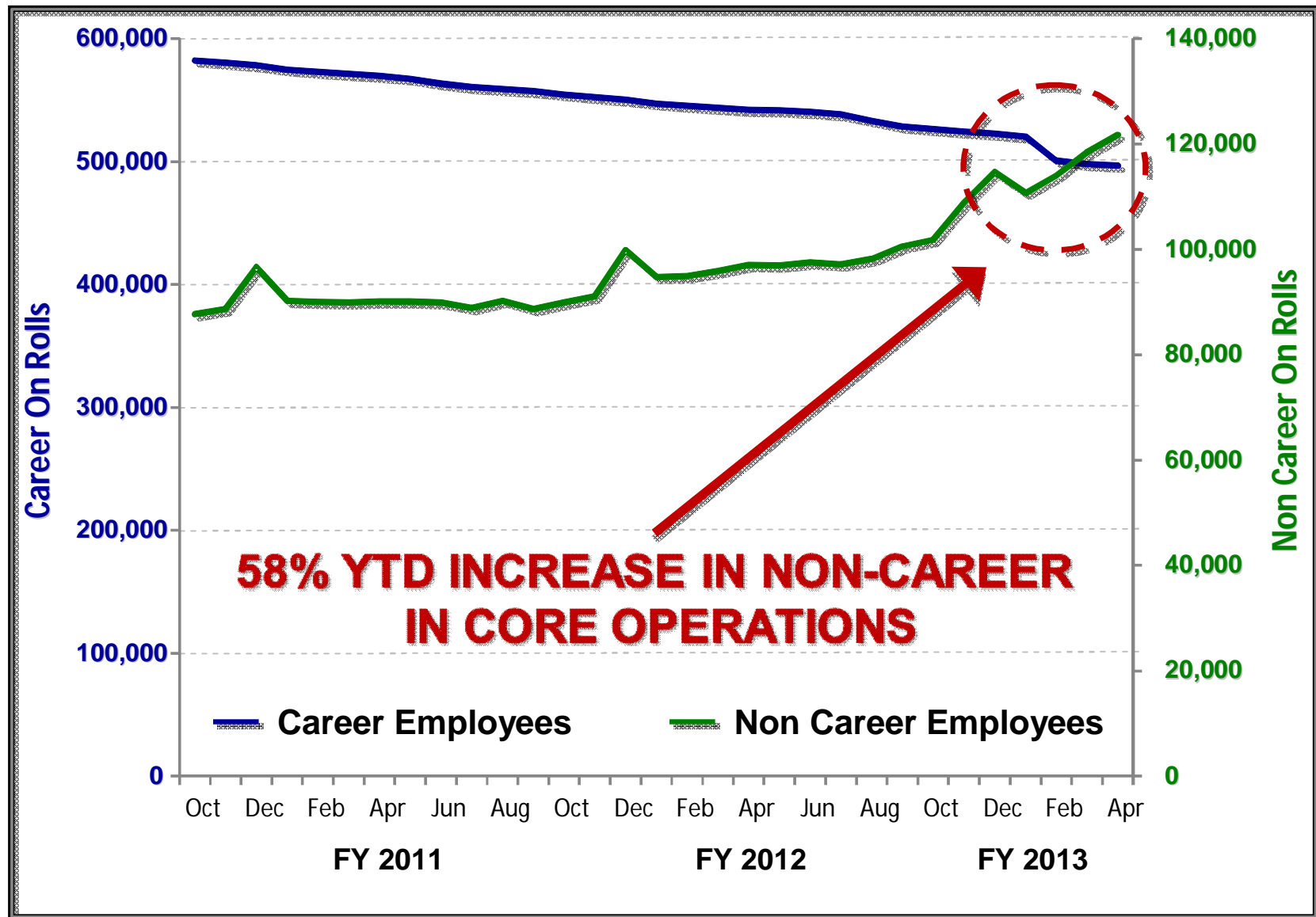
- Better Utilization of Air/Surface Trips
- Gain Economies of Scale



Right-sized Workforce

- Employee Flexibility
- Revised Pay Structure

Reducing the Unit Cost of Labor

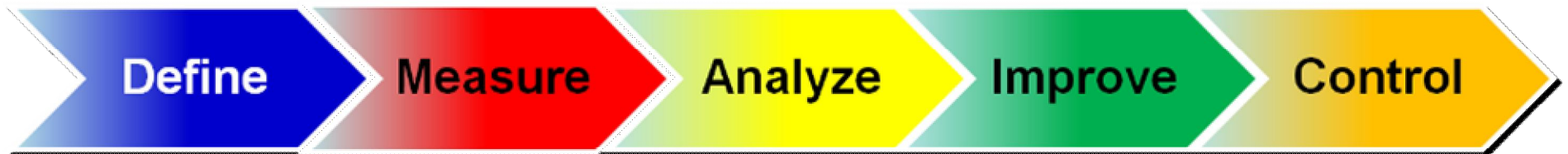




UNITED STATES
POSTAL SERVICE®

USPS Leadership Forum for Stakeholders

CONTINUOUS IMPROVEMENT



USPS is dedicating resources across the country to replicate successful LSS projects using People, Process and Technology.

PEOPLE

- Learning from Others
- Developing Specialized Skills and Capability
- Utilizing Specialized Training

PROCESS

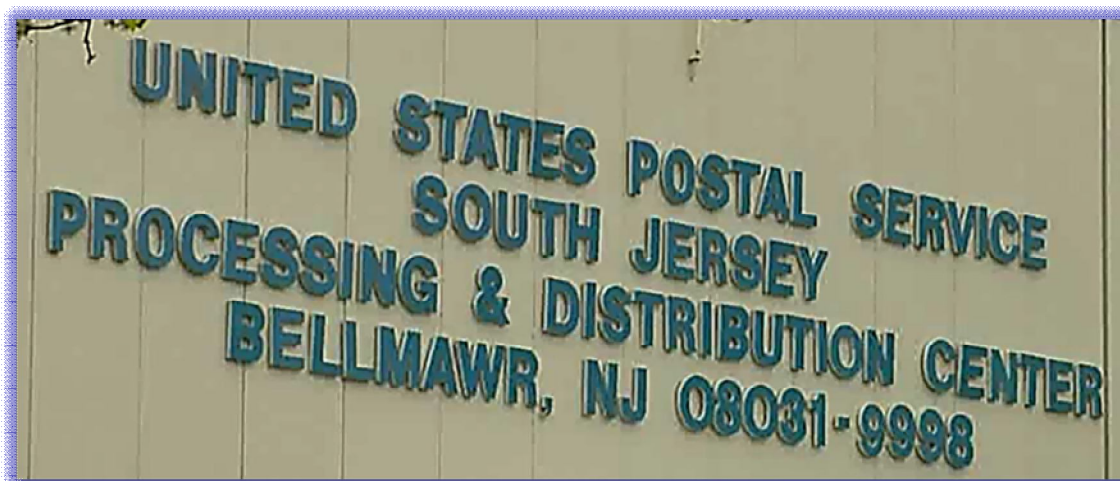
- Standardizing Processing
- Replicating Best Practices
- Reducing Implementation Time
- Developing Lessons Learned

TECHNOLOGY

- Engineering Specifications
- Implementing Maintenance Enhancements
- Pushing Software Updates

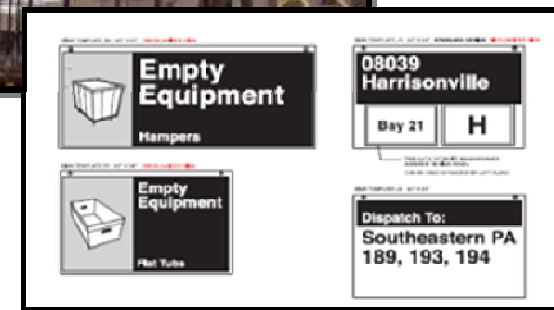
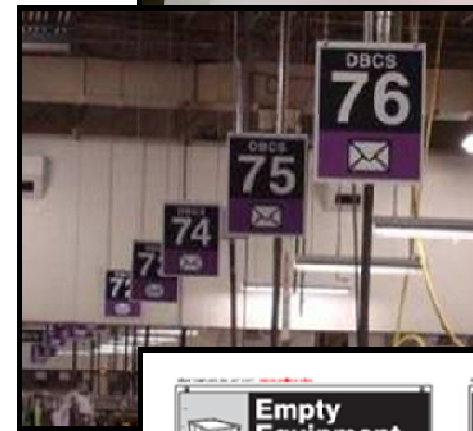
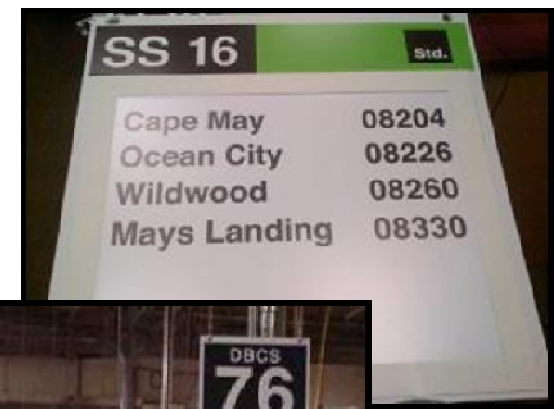
- Implement Lean concepts in mail processing
 - Reduce cycle time
 - Reduce waste
 - Improve efficiency
- As the result of this project, the USPS is
 - Improving service performance
 - Reducing costs
 - Increasing employee engagement
- Lean Mail Processing is being replicated across the network

- South Jersey P&DC was selected as the Lean Mail Processing (LMP) pilot site
- Processes all categories of mail
- Completed all planned consolidations
- Interested and engaged management team at the plant, district, and area
- Midsize plant, single floor

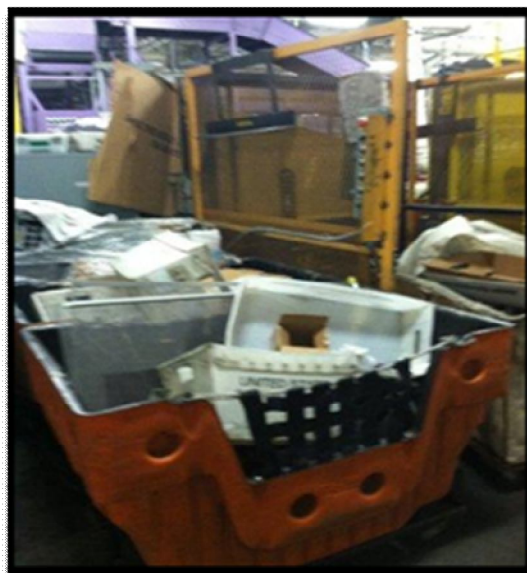


South Jersey P&DC implemented 10 projects as part of the Lean Mail Processing program:

- 5 S
- MTE Management
- Parcel Sorter Staging
- Letter Staging
- Flats Staging
- Manual Flats
- Reduce Parcel Rework
- Improve Dock Operations
- Signage and Visual Management
- Material Handling Projects



- ❑ Implementation of **5S** was the cornerstone of the South Jersey Project
- ❑ **S**orting, **S**et in order, **S**hine, **S**tandardize, and **S**ustain
- ❑ Reduced wasted movement, transport, and inventory (mail transport equipment)
- ❑ A statement of culture change and an opportunity for employee involvement



- ❑ Determined number, size and location of staging lanes
- ❑ Created and labeled FIFO Staging lanes from APPS to AFSM



South Jersey project

- Improving scanning performance and container management
 - Installed display screens of departing trucks – similar to airline assignments.
 - Shows the trips and the status of containers assigned to those trips

LOCAL TIME 18:06:07 1/15/2013
SOUTH JERSEY PDC - OUTBOUND ORIGINATING CONTAINERS THAT WERE ASSIGNED LOCALLY

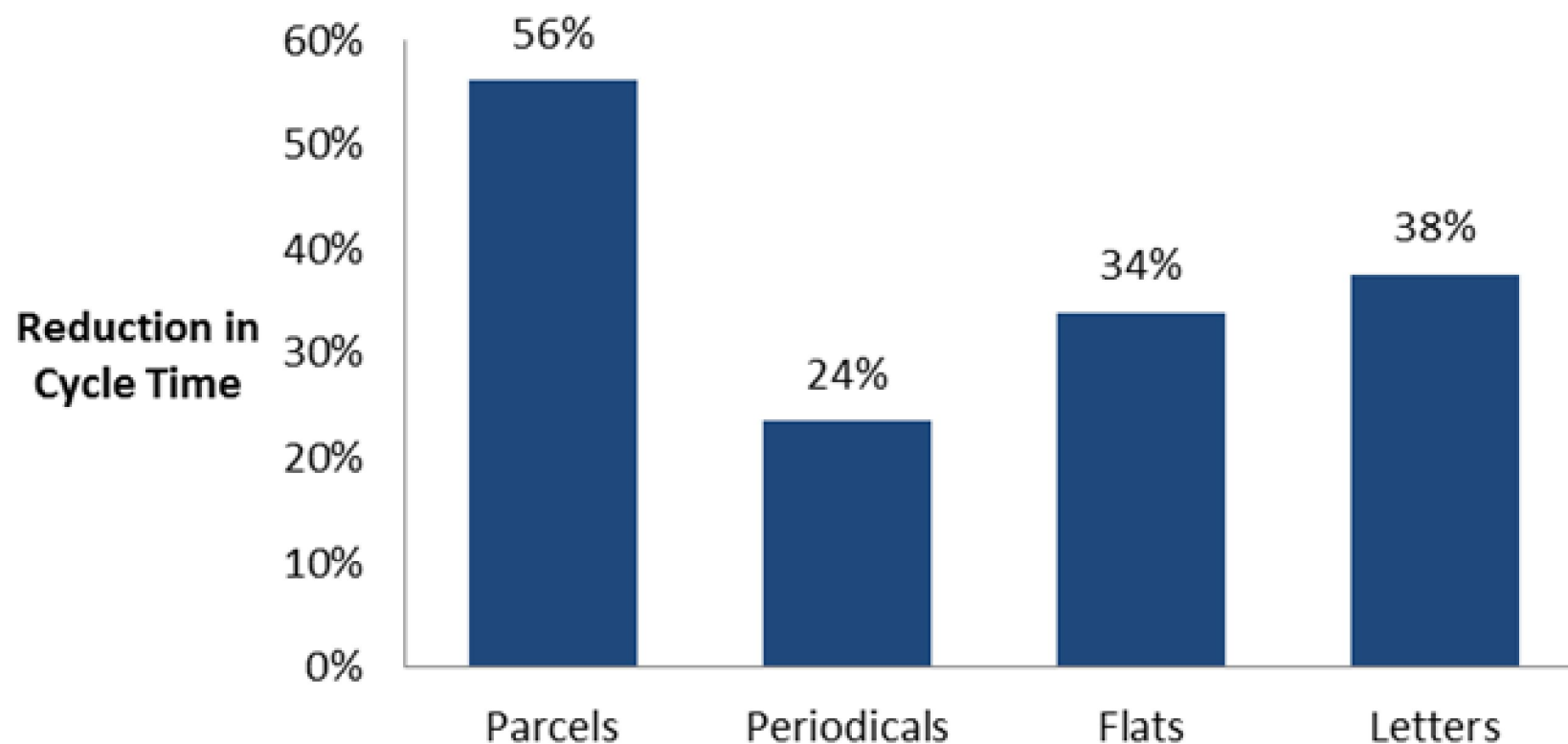
SCHD	DEP	TM	DEP	SCAN	LEG	DESTINATION	ROUTE	TRIP	DOOR	LOAD	TOTAL	OPEN	CLOSE	STAGE
18:50					192	PHILADELPHIA NDC	192JJ	605	25	23	23	0	0	0
18:35					08190	CAMDEN ANNEX DBI	080VS	02021	52	5	5	0	0	0
18:15					190	PHILADELPHIA PADC	190VS	02063	30	9	9	0	0	0
17:45	17:14				170	HARRISBURG PADC/HASP	08013	6	35	0	1	0	1	0
17:40	17:26				08043	VOORHEES NJ J	080L0	15	3	0	0	0	0	0
17:20	17:18				08055	MEDFORD NJ	080L8	29	0	0	7	0	7	0
17:20	17:18				08081	SICKLERVILLE NJ	080L6	9	0	0	4	0	4	0
17:15	17:18				08052	MAPLE SHADE NJ	08038	13	7	0	4	0	4	0
17:15	17:00				08078	RUNNEMEDIE NJ	080L7	17	3	0	3	0	3	0
17:15	17:20				192	PHILADELPHIA NDC	192JJ	603	27	24	24	0	0	0
17:00	16:53				08062	MULLICA HILL NJ	080L3	7	8	0	3	0	3	0
16:50	16:45				08026	GIBBSBORO NJ	080L7	15	5	0	3	0	3	0
16:45	16:44				08065	PALMYRA NJ	08051	7	7	0	2	0	2	0
16:45	16:43				08091	WEST BERLIN NJ	08040	5	3	0	3	0	3	0
16:45	16:44				08312	CLAYTON NJ	08042	7	4	0	2	0	2	0
16:40	16:34				08234	SOUTH JERSEY SHORE DDC	08045	15	45	0	28	0	28	0
16:40	16:38				08343	MONROEVILLE NJ	08030	7	10	0	2	0	2	0
16:35	16:38				08070	PENNSVILLE NJ	08033	13	3	0	2	0	2	0



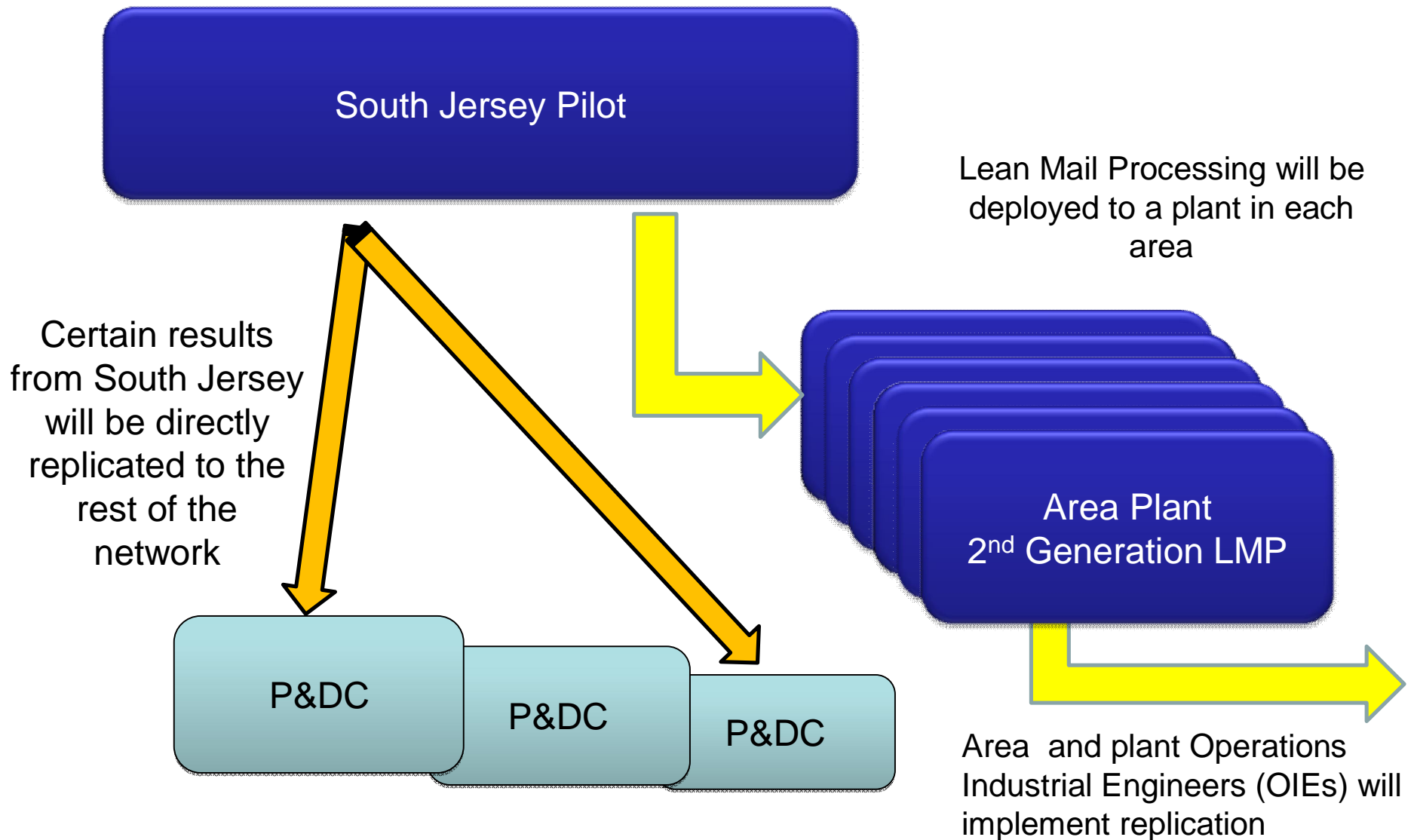
RESULTS

Reduction In Cycle Time

Dock Unload Scan to Single Piece Sort Scan



- Lean Mail Processing has produced significant results
 - Volume increased in South Jersey by 10.81% over SPLY due to AMP Consolidation
 - Work hours decreased by 2% to SPLY
 - Productivity increased by 13.05% to SPLY
 - Qtr 3 Top Quartile Service Performer
 - SCF Letters and Flats
 - NDC Letter and Flats
 - Periodicals



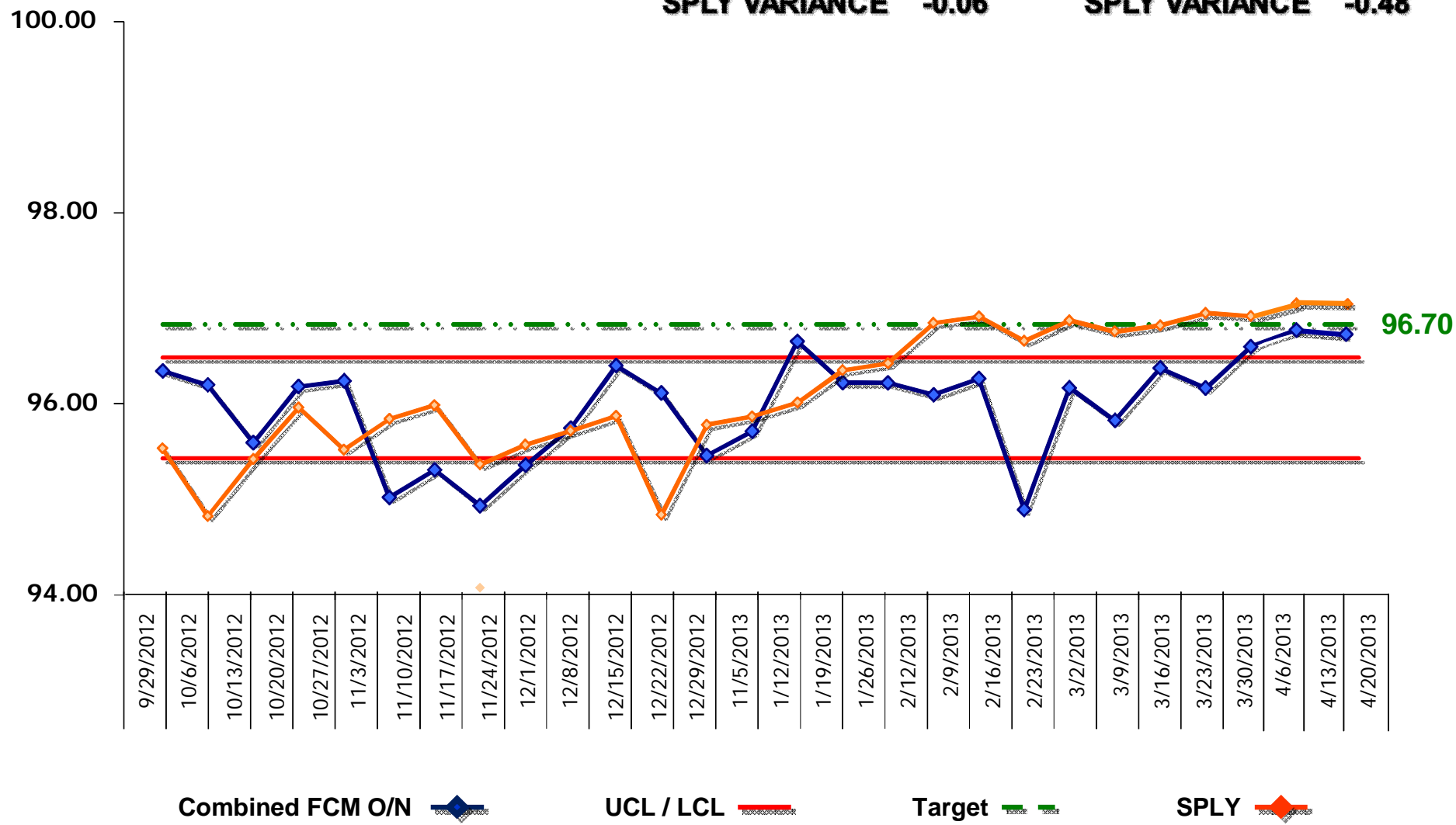
SERVICE PERFORMANCE TRENDS

FIRST – CLASS MAIL

Combined Overnight First-Class Mail

YEAR TO DATE 96.31
SPLY VARIANCE -0.06

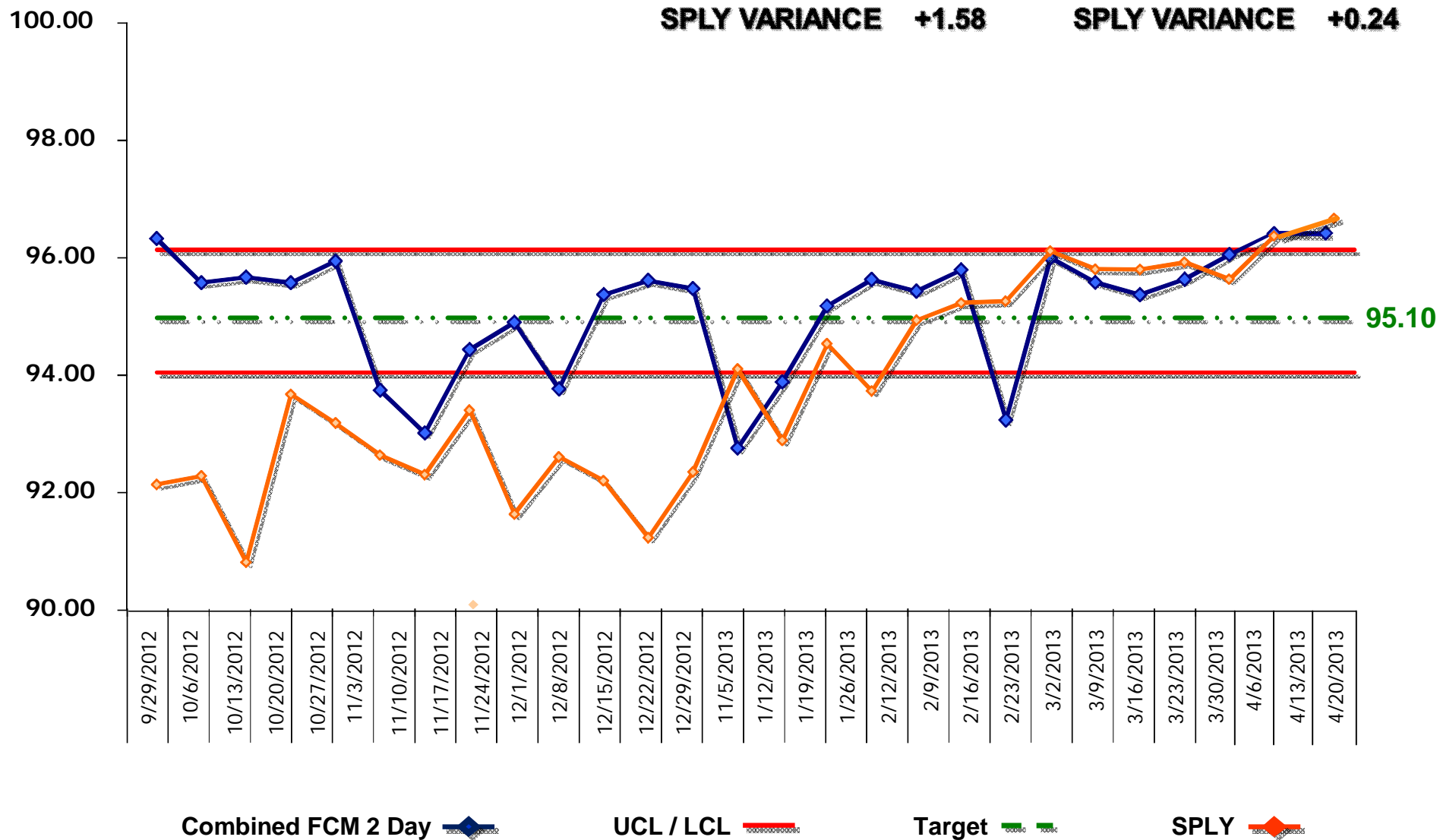
QUARTER 3 96.35
SPLY VARIANCE -0.48



Combined 2-Day First-Class Mail

YEAR TO DATE 95.98
SPLY VARIANCE +1.58

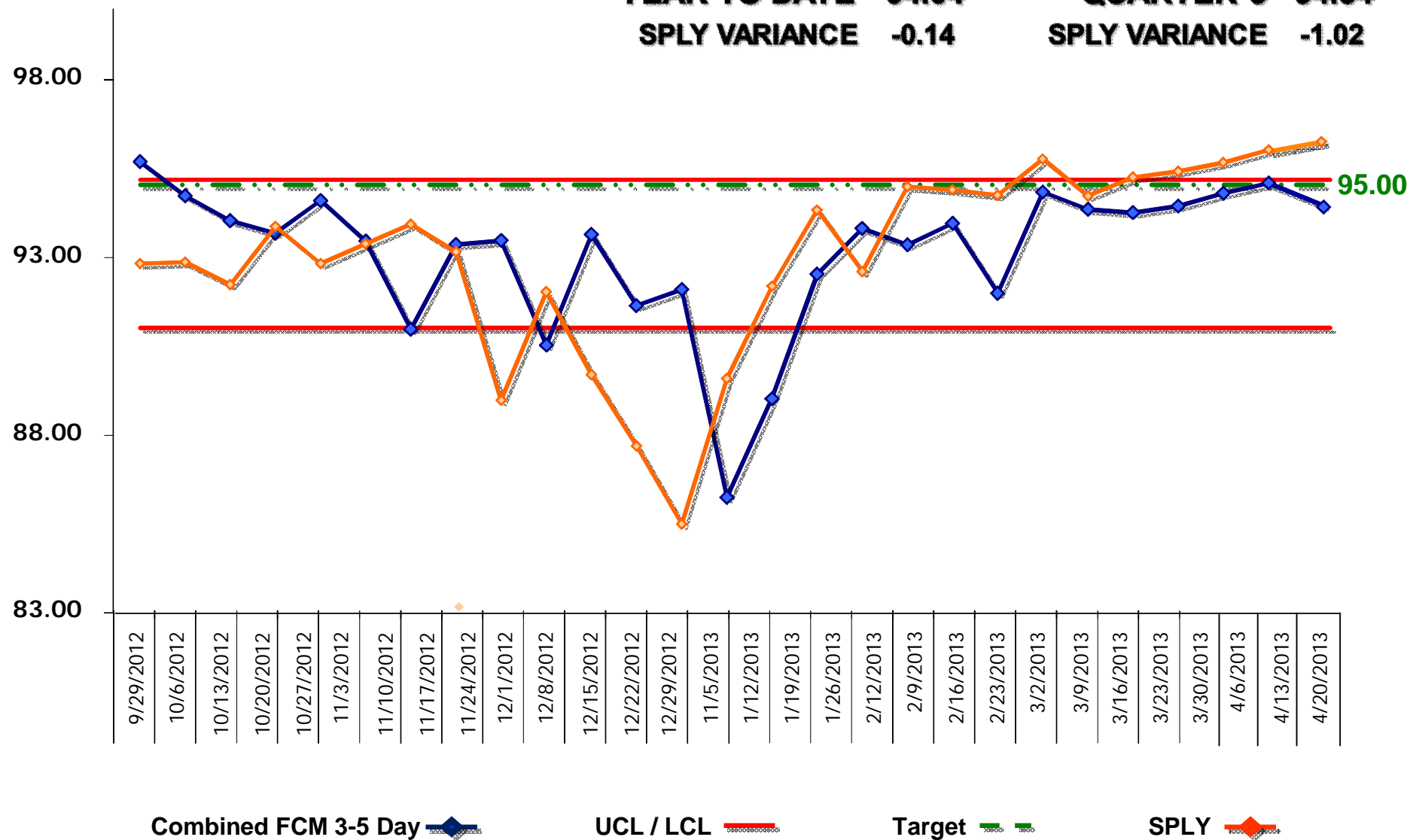
QUARTER 3 96.50
SPLY VARIANCE +0.24



Combined 3-5 Day First-Class Mail

YEAR TO DATE 94.04
SPLY VARIANCE -0.14

QUARTER 3 94.54
SPLY VARIANCE -1.02



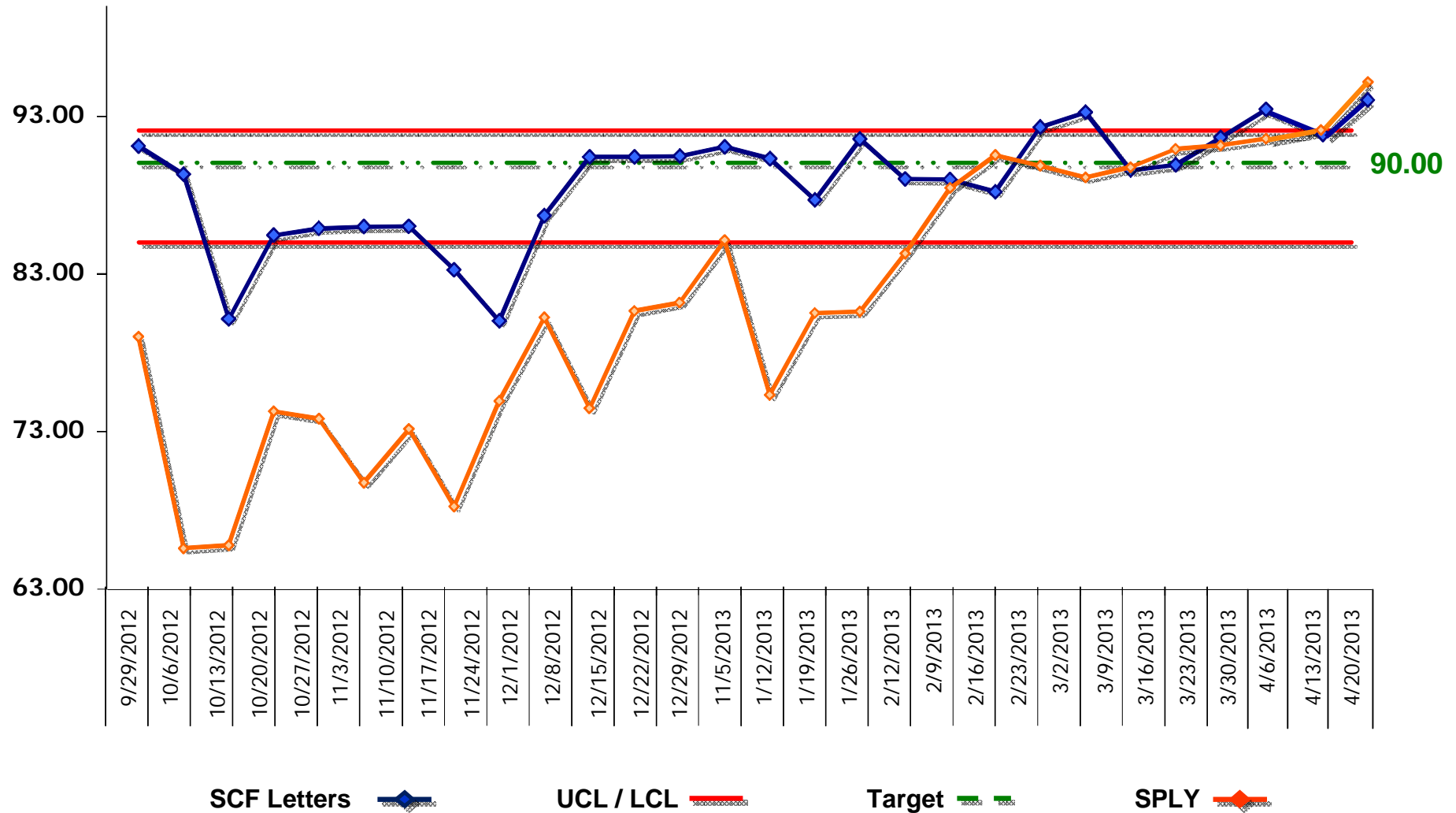
SERVICE PERFORMANCE TRENDS

STANDARD AND PERIODICALS

Standard SCF Letters

YEAR TO DATE 89.05
SPLY VARIANCE +8.63

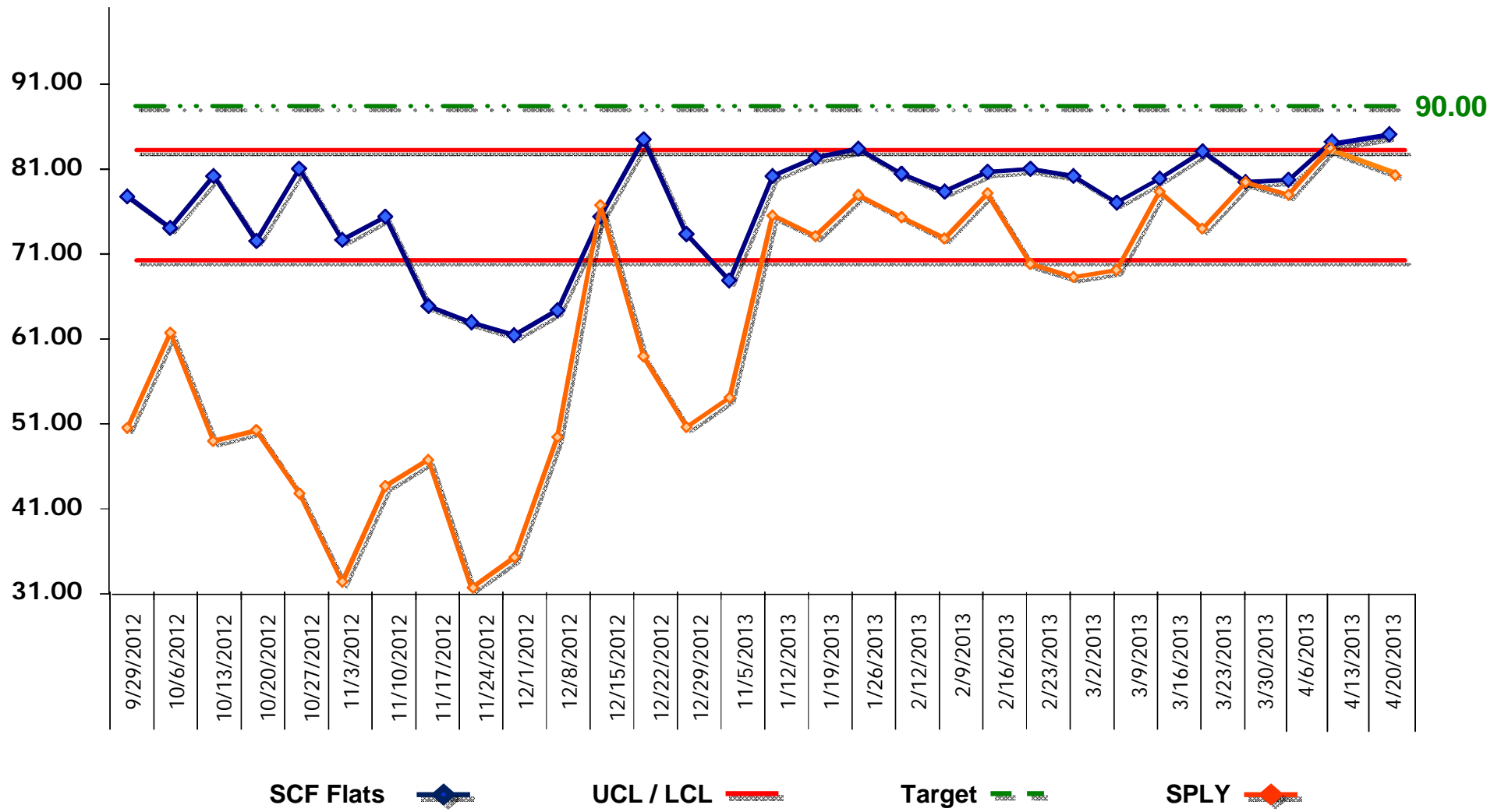
QUARTER 3 92.04
SPLY VARIANCE +0.47



Standard SCF Flats

YEAR TO DATE 77.27
SPLY VARIANCE +18.32

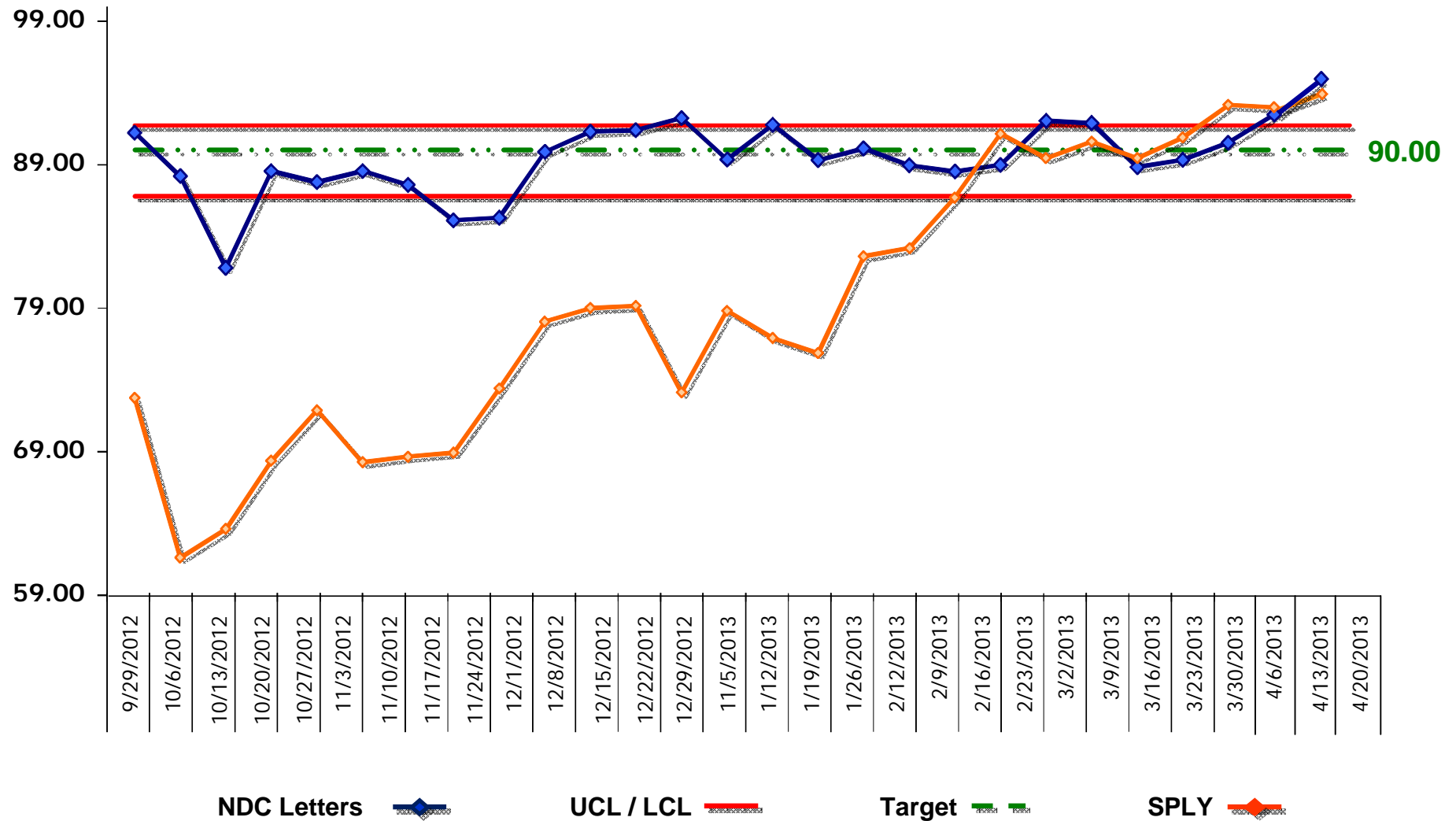
QUARTER 3 83.62
SPLY VARIANCE +1.66



Standard NDC Letters

YEAR TO DATE 89.57
SPLY VARIANCE +10.41

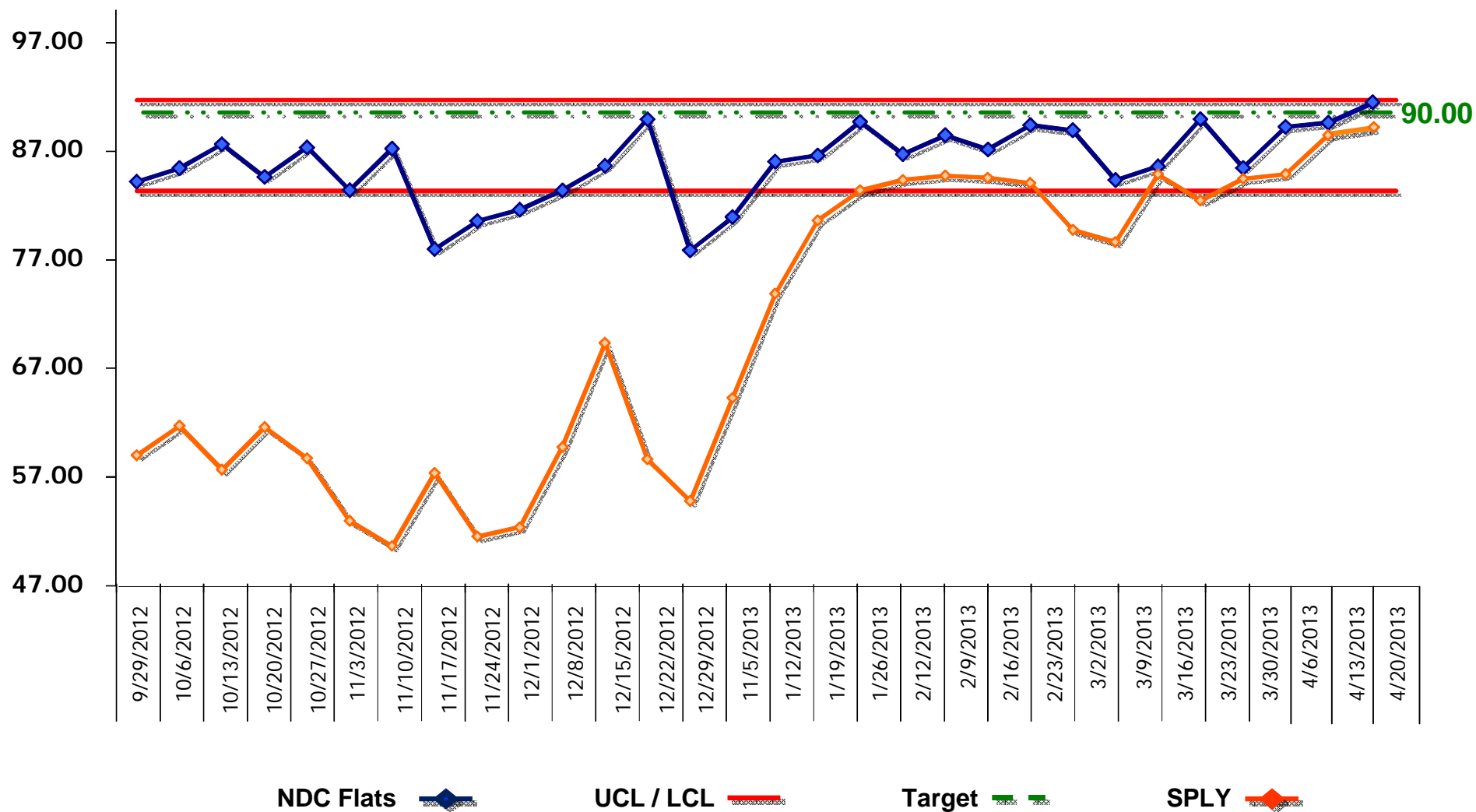
QUARTER 3 92.16
SPLY VARIANCE +0.36



Standard NDC Flats

YEAR TO DATE 84.66
SPLY VARIANCE +7.98

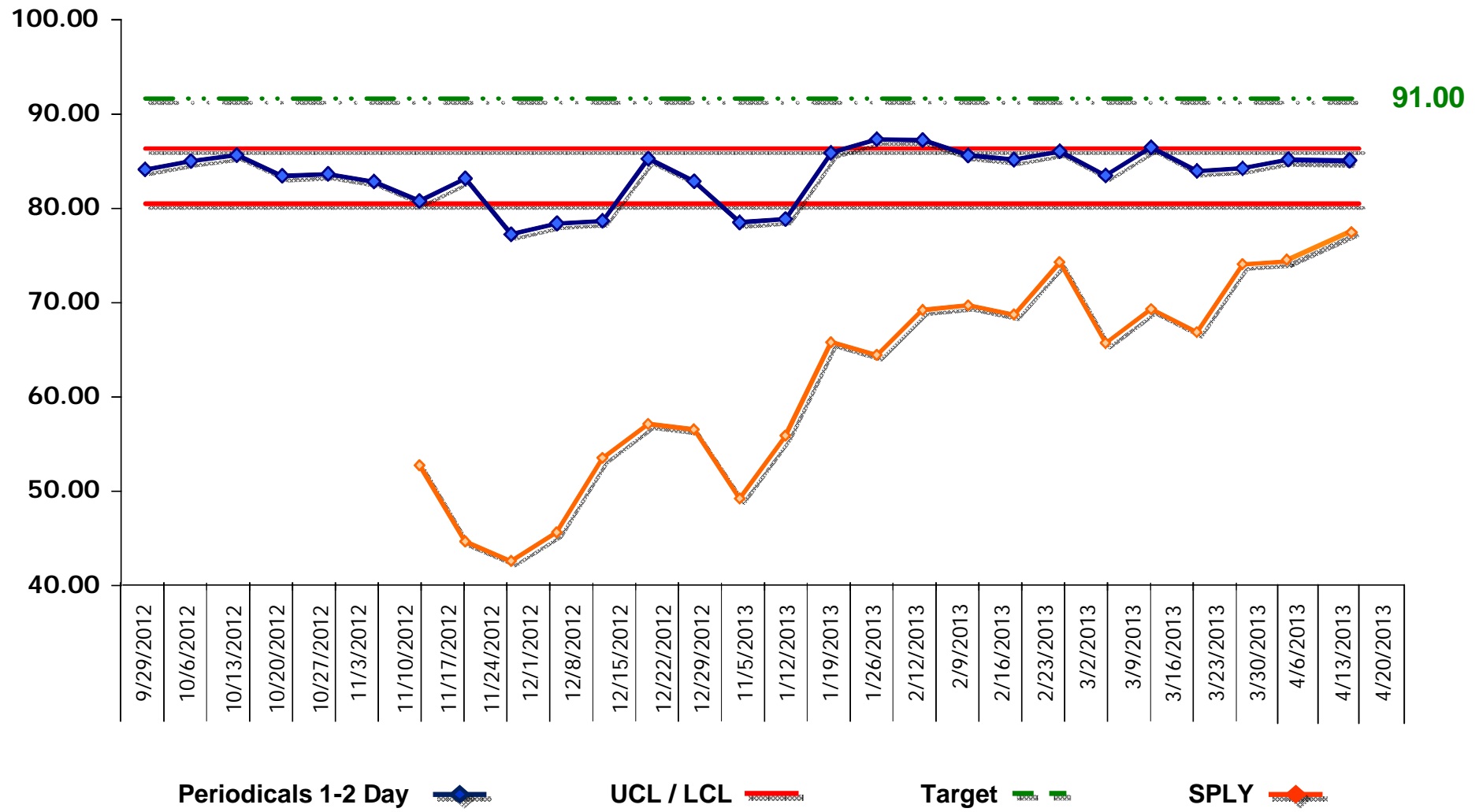
QUARTER 3 88.22
SPLY VARIANCE +1.65



Periodicals 1 & 2 Day

YEAR TO DATE 83.54
SPLY VARIANCE +23.48

QUARTER 3 85.98
SPLY VARIANCE +8.70



- ☐ **Top Impact Facilities – Drive Performance to Target**
- ☐ **Reduce WIP Cycle Time – Keep Mail Moving**
 - Day Zero Processing
 - Identify and Process Mail Based on Actual Entry Time
 - Work to Machine Capacity to Advance Mail
- ☐ **Leveraging Real-Time SPD Technology**
 - “Container At Risk” reports by facility and mailer
 - New FIFO reporting capabilities
- ☐ **Operational Clearance**
- ☐ **Right Mail on the Right Network**
- ☐ **Flawless Network Execution**

MAIL TRANSPORT EQUIPMENT

MTE

- ❑ Equipment Inventories Are Strong
- ❑ Additional MTE Ordered
- ❑ MTEOR User Group Forming
- ❑ Expanded Warehouse Space in Chicago



- ❑ MTE Visibility Enhances Availability
 - ❑ Weekly MTE Inventory Reporting
 - ❑ Postal Plants – January 2011
 - ❑ Delivery Units – February 20, 2013
 - ❑ MTEOR Mailers – April 17, 2013
- ❑ Identified Excess Equipment is Returned to Circulation
- ❑ Delivery *Clean Sweep Campaign* May 2013



INDUSTRY ENGAGEMENT

Commitment to Communicate



Going Forward

- ❑ Intense Focus on Cost Containment
- ❑ Infrastructure Changes to Accelerate
- ❑ Maintain Predictable Service
- ❑ Industry Engagement

SUCCESS REQUIRES COLLECTIVE EFFORT

Commitment to open communications and stakeholder engagement

CURRENT OPERATIONS LED WORKGROUPS

- ❑ **WG 154** – *Alignment of Parcel Dropship Files and Labeling Lists*
- ❑ **WG 155** – *Communication processes and procedures during emergency situations*
- ❑ **WG 156** – *Utilizing the Mail Optimization Matrix (MOP)*
- ❑ **WG 157** – *Load Leveling*
- ❑ **UG 7** – *MTEOR **

* To Begin in the Near Future



Thank You

Questions?